PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM212

COURSE TITLE: COST ACCOUNTING

ROYSAMBU CAMPUS

EXAM DATE: MONDAY

TIME: 8:00AM – 1100AM

INSTRUCTIONS

- This examination script consists of **five (5)** questions.
- Answer question ONE and ANY other three Questions.
- Show all your workings
- Read all questions carefully before attempting.

Write your **student number** on the answer booklet provided.

QUESTION ONE

a) Distinguish between the following terms using relevant examples:

i. Cost driver and a cost centre (4marks)

ii. Unit variable cost and unit fixed cost (4marks)

iii. Abnormal process loss and abnormal process gain (4marks)

iv. A break-even point and a margin of safety (4marks)

b) Atels Co. manufactures several products, among them product X. The following data pertains to production of product X during the half year 2025.

Month	**Output (Units)**	**Total production cost (Sh)**
January	2600	66,000
February	3050	65,000
March	5087	72,000
April	3342	68,000
May	4416	69,000
June	4813	73,000

The selling price of product X is Sh50. The variable selling and distribution cost is 6% of the selling price.

Determine:

a) The Unit variable cost of the factory using the high – low method (7Marks)

b) The total fixed production costs of the factory (3 Marks)

c) The break - even point of the factory in units and in shillings (4Marks)

QUESTION TWO

b) The data below was obtained from a certain manufacturing firm:

1/2/2025 opening stock 1300 units @sh4.50

1/2/2025 purchased 260 units @sh5

5/2/2025 sold 1100 units

8/2/2025 purchased 600 units @sh5.50

15/2/2025 sold 900 units

Determine the value of the closing inventory using Fist In First Out method (FIFO) (10marks)

QUESTION THREE

Kite & co. manufactures product M which is produced in batches and involves machine set-up and inspection. During the Month of July 2024, the company produced several batches of product M which absorbed the overheads as follows:

	Ksh
Cost of machine set-up	100,000
Cost of inspection	152,000

The company also utilized 58 machine set ups and 73 inspections in total.

The following information concerns batch 003.

Units to be produced:	900
Machine set-ups	22
Inspections	28
Direct labour hours per unit (Ksh20 per hour):	2
Direct Materials per unit:	Ksh12

Required:

a) Allocate the overheads to batch 003 using the Activity based costing system (7marks)

b) A cost statement for Batch 003 (3marks)

QUESTION FOUR

Banda & Co. produces a single product Pa which undergoes two processes; I, II. The following details relate to a particular period:

	Process	
	I	II
	Sh	Sh
Raw materials (65,000 units)	80,000	
Direct wages	23,500	21,900
Overheads	5,750	5,900
Output (Units)	62,200	51,100

There is a nil normal loss in process I but a normal loss of 3% of the input in process II is anticipated. Units lost in process II have the scrap value of sh1.20 per unit. The output of one process moves to the next process. There is no opening or closing Work-In-Progress.

Required:

a) Determine the unit cost of process II (8Marks)
b) Calculate the abnormal loss/gain in process II. (2Marks)

QUESTION FIVE

a) Explain two ways in which cost – volume – profit analysis can be applied in a learning institution (4marks)
b) Using relevant examples, describe any three characteristics of any process in process costing (6marks)